

MONTANA LEGISLATIVE HISTORY

Chapter 619 1983

Bill H 446 S _____

Original bill & history ☒ C

H. Committee on Taxation

Hearing Date(s) Feb 01 ☒ C

Mar 10 ☒ C

_____ C

_____ C

Date Out _____ C

S. Committee on Taxation

Hearing Date(s) Mar 23 ☒ C

Mar 26 ☒ C

_____ C

_____ C

Did this bill originate in an interim committee? _____ Yes _____ No

Committee _____

Report _____

DESIGNATED IN ALL ENCLOSED PUBLIC PLACES; REMOVING THE OPTION OF DESIGNATING THE ENTIRE AREA OF A PUBLIC PLACE AS A SMOKING AREA; AMENDING

INTRODUCED: 01/22/83

REFERRED TO COMMITTEE ON HUMAN SERVICES: 01/22/83

HEARING: 2/11/83

REPORT: 02/16/83, DO PASS, AS AMENDED

2ND READING: 02/18/83, DO PASS, AS AMENDED AYES: 62; NAYS: 34

3RD READING: 02/22/83, DO PASS AYES: 59; NAYS: 39

TRANSMITTED TO SENATE: 2/22/83

REFERRED TO COMMITTEE ON BUSINESS & INDUSTRY: 3/1/83

REREFERRED TO COMMITTEE ON PUBLIC HEALTH, WELFARE, & SAFETY: 03/03/83

HEARING: 3/22/83

REPORT: 03/24/83, BE CONCURRED IN, AS AMENDED

2ND READING: 03/26/83, BE INDEFINITELY POSTPONED AYES: 24; NAYS: 21

BILL KILLED

448 -- D. BROWN, FABREGA, IVERSON, ET AL. -- PROVIDING FOR THE ALLOCATION OF METALLIFEROUS MINES LICENSE TAXES TO THE GENERAL FUND AND TO AN IMPACT TRUST ACCOUNT; RESTRICTING THE USES OF THE IMPACT TRUST ACCOUNT; PROVIDING FOR A SMALL MINER'S EXEMPTION FROM THE METALLIFEROUS MINES LICENSE TAX, AMENDING

BY REQUEST OF: THE HARD-ROCK MINING SUBCOMMITTEE

INTRODUCED: 01/22/83

REFERRED TO COMMITTEE ON TAXATION: 01/22/83

HEARING: 2/1/83

REPORT: 03/11/83, DO PASS, AS AMENDED

2ND READING: 03/15/83, DO PASS, AS AMENDED AYES: 98; NAYS: 0

3RD READING: 03/18/83, DO PASS AYES: 89; NAYS: 2

TRANSMITTED TO SENATE: 3/18/83

REFERRED TO COMMITTEE ON TAXATION: 03/19/83

HEARING: 3/23/83

REPORT: 03/29/83, BE CONCURRED IN

ON MOTION, 3/30/83, THAT PASS CONSIDERATION BE GIVEN TO THE BILL ON 2ND READING

THIS DAY. MOTION PASSED BY THE FOLLOWING VOTE: AYES: 25; NAYS: 21.

ON MOTION, 3/30/83, THAT THE BILL BE TAKEN FROM 2ND READING AND REREFERRED TO THE

COMMITTEE ON FINANCE & CLAIMS. MOTION PASSED.

ON MOTION, 4/14/83, THAT THE BILL BE TAKEN FROM THE TABLE IN THE COMMITTEE ON

FINANCE & CLAIMS, PRINTED AND PLACED ON 2ND READING. MOTION PASSED BY THE

FOLLOWING VOTE: AYES: 29; NAYS: 21.

2ND READING: 04/14/83, BE CONCURRED IN, AS AMENDED AYES: 42; NAYS: 6

3RD READING: 04/15/83 AYES: 42; NAYS: 6

RETURNED TO HOUSE WITH AMENDMENTS: 4/16/83

2ND READING: 04/18/83, BE CONCURRED IN AYES: 84; NAYS: 13

3RD READING: 04/18/83, BE CONCURRED IN AYES: 89; NAYS: 9

TRANSMITTED TO GOVERNOR: 04/21/83

SIGNED: 4/25/83, CHAPTER 619

BARDANOUVE -- THE GENERAL APPROPRIATIONS ACT OF 1983 FOR THE APPROPRIATION OF MONEY TO VARIOUS STATE AGENCIES FOR THE BIENNIIUM ENDING JUNE 30, 1985 AND PROVIDING EFFECTIVE DATE.

BY REQUEST OF: THE OFFICE OF BUDGET AND PROGRAM PLANNING

HOUSE BILL NO. 446

INTRODUCED BY D. BROWN, FABREGA, IVERSON, QUILICI,
ELLISON, ROUSH, HAND, DAILY, DARKO, ECK, LYNCH,
HARRINGTON, SAUNDERS, HALLIGAN, PAVLOVICH

BY REQUEST OF THE HARD-ROCK MINING SUBCOMMITTEE

IN THE HOUSE

January 22, 1983	Introduced and referred to Committee on Taxation.
March 11, 1983	Committee recommend bill do pass as amended. Report adopted. Statement of Intent attached.
March 12, 1983	Bill printed and placed on members' desks.
March 15, 1983	Second reading, do pass as amended.
March 16, 1983	Correctly engrossed.
March 18, 1983	Third reading, passed. Transmitted to Senate.

IN THE SENATE

March 19, 1983	Introduced and referred to Committee on Taxation.
March 29, 1983	Committee recommend bill be concurrent in. Report adopted.
March 30, 1983	Second reading, pass consideration. On motion, taken from second reading and referred to Committee on Finance and Claims.

April 14, 1983

On motion, taken from
Committee on Finance and
Claims as amended and placed
on second reading.

Second reading, concurred in
as amended.

April 15, 1983

Third reading, concurred in.
Ayes, 42; Noes, 6.

IN THE HOUSE

April 16, 1983

Returned to House with
amendments.

April 18, 1983

Second reading, amendments
concurred in.

Third reading, amendments
concurred in.

Sent to enrolling.

Reported correctly enrolled.

1 *House* BILL NO. *446*
 2 INTRODUCED BY *Don Brown* *Pat Savage* *DeLorean* *Julia*
 3 *Rouss* BY REQUEST OF THE HARD-ROCK MINING SUBCOMMITTEE *Carlovich*
 4 *Hand* *Wally* *Marko* *Ch* *Spink* *Hanrahan* *Halligan*
 5 A BILL FOR AN ACT ENTITLED: "AN ACT PROVIDING FOR THE
 6 ALLOCATION OF METALLIFEROUS MINES LICENSE TAXES TO THE
 7 GENERAL FUND AND TO AN IMPACT TRUST ACCOUNT; RESTRICTING THE
 8 USES OF THE IMPACT TRUST ACCOUNT; PROVIDING FOR A SMALL
 9 MINER'S EXEMPTION FROM THE METALLIFEROUS MINES LICENSE TAX;
 10 AMENDING SECTIONS 15-1-501, 15-37-101, 15-37-103, AND
 11 90-6-303 THROUGH 90-6-306, MCA."
 12
 13 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:
 14 NEW SECTION. Section 1. Disposition of metalliferous
 15 mines license taxes. Metalliferous mines license taxes
 16 collected under the provisions of this part are allocated as
 17 follows:
 18 (1) to the credit of the general fund of the state,
 19 67% of total collections each year;
 20 (2) to the earmarked revenue fund to the credit of a
 21 hard-rock mining impact trust account, 33% of total
 22 collections each year.
 23 NEW SECTION. Section 2. Basis for awarding grants and
 24 loans from the hard-rock mining impact trust account --
 25 restrictions. (1) Whenever the board determines that a

1 mining operation has permanently ceased all mining-related
 2 activity or has experienced at least a 50% reduction in its
 3 full-time equivalent mining work force over the immediately
 4 preceding 5-year period, the board may in its discretion
 5 award grants and loans from the hard-rock mining impact
 6 trust account to an affected local government unit in
 7 accordance with subsection (2).

8 (2) The board may award grants and loans to assist a
 9 local government unit in efforts to:

10 (a) pay for outstanding capital project bonds or other
 11 expenses incurred at least 5 years prior to the end of
 12 mining activity or the reduction in a work force as
 13 specified in subsection (1);

14 (b) decrease unusually high property tax mill levies
 15 that are directly caused by the cessation or reduction of
 16 mining activity;

17 (c) promote diversification and development of the
 18 economic base within a local government unit;

19 (d) attract new industry to the impact area; and

20 (e) provide cash incentives for expanding the
 21 employment base of the impact area.

22 (3) Not more than 50% of the money available in the
 23 hard-rock mining impact trust account may be granted or
 24 loaned for the purpose of assisting local governments.

25 (4) The amount of money that is available to be

1 granted or loaned to a local government unit within an
2 impact area may not exceed the balance in the hard-rock
3 mining impact trust account credited to that area under the
4 provisions of [section 3] and 90-6-304.

5 NEW SECTION. Section 3. Eligibility for grants and
6 loans from county accounts -- board rules. (1) The hard-rock
7 mining impact trust account must be maintained on a
8 county-by-county basis. Any local government unit in the
9 state directly impacted by the cessation or reduction of
10 mining-related activity may apply to the board for impact
11 grants or loans from the account for the county in which
12 such cessation or reduction occurred.

13 (2) The board shall determine to what degree a local
14 government unit is directly impacted by a cessation or
15 reduction in mining-related activity, and such determination
16 is final. The board shall adopt rules that provide a
17 procedure for designating local government units and areas
18 impacted by the cessation or reduction of mining-related
19 activity.

20 Section 4. Section 15-1-501, MCA, is amended to read:

21 "15-1-501. Disposition of moneys from certain
22 designated license and other taxes. (1) The state treasurer
23 shall deposit to the credit of the state general fund all
24 moneys received by him from the collection of:

25 (a) automobile driver's license fees under subsections

1 (1) through (6) of 61-5-111;

2 (b) electric energy producer's license taxes under
3 chapter 51;

4 ~~(c) --metalliferous--mines--license--taxes--under--chapter~~
5 ~~37;~~

6 ~~(d) (c)~~ oil and gas severance taxes allocated to the
7 general fund under chapter 36;

8 ~~(e) (d)~~ liquor license taxes under Title 16;

9 ~~(f) (e)~~ telephone license taxes under chapter 53; and

10 ~~(g) (f)~~ inheritance and estate taxes under Title 72,
11 chapter 16.

12 (2) Seventy-five percent of all moneys received from
13 the collection of income taxes under chapter 30 and
14 corporation license and income taxes under chapter 31,
15 except as provided in 15-31-702, shall be deposited in the
16 general fund subject to the prior pledge and appropriation
17 of such income tax and corporation license tax collections
18 for the payment of long-range building program bonds. The
19 remaining 25% of the proceeds of the corporation license
20 tax, excluding that allocated to the counties under
21 15-31-702, corporation income tax, and income tax shall be
22 deposited to the credit of the earmarked revenue fund for
23 state equalization aid to the public schools of Montana.

24 (3) The state treasurer shall also deposit to the
25 credit of the state general fund all moneys received by him

1 from the collection of license taxes, fees, and all net
2 revenues and receipts from all other sources under the
3 operation of the Montana Alcoholic Beverage Code."

4 Section 5. Section 15-37-101, MCA, is amended to read:

5 "15-37-101. License tax on metal mines. (1) Every
6 person who engages in or carries on the business of working
7 or operating any mine or mining property in the state of
8 Montana from which gold, silver, copper, lead, or any other
9 metal or metals or precious or semiprecious gems or stones
10 of any kind shall be mined, extracted, or produced, whether
11 such person shall carry on such business or engage in such
12 work or operations as owner, lessee, trustee, possessor,
13 receiver, or in any other capacity, must for each year when
14 engaged in or carrying on such business, work, or operations
15 pay to the department of revenue for the exclusive use and
16 benefit of the state of Montana and impacted local
17 government units a license tax for engaging in and carrying
18 on such business, work, or operation in this state.

19 (2) Nothing contained in this part shall be construed
20 as requiring laborers or employees hired or employed by any
21 person to mine or to work in or about any mine or mining
22 business or property to pay such license taxes, nor shall
23 any discovery work required to be done in prospecting for or
24 locating any mining claims or any annual assessment work or
25 work required in the obtaining of title to mining property

1 from the United States or required by the laws of the United
2 States or of this state in order to hold possessory title to
3 any mining claims be deemed the engaging in or carrying on
4 of the business of working or operating any such mine or
5 mining property."

6 Section 6. Section 15-37-103, MCA, is amended to read:

7 "15-37-103. Rate of tax. The annual license tax to be
8 paid by such person engaged in or carrying on the business
9 of working or operating any mine or mining property in this
10 state from which gold, silver, copper, lead, or any other
11 metal or metals or precious or semiprecious gems or stones
12 are produced shall be an amount computed on the gross value
13 of product which may have been derived by such person from
14 such business, work, or operation within this state during
15 the calendar year immediately preceding, at the following
16 rates:

17	Gross Value	Rate of Tax
18	of Product	(percentage of gross value)
19	first-\$100,000-----	0-15%
20	more-than-\$100,000-and	
21	not-more-than first \$250,000	0-575%-of-the-increment 0%
22	more than \$250,000 and	
23	not more than \$400,000 <u>\$500,000</u>	0-86% <u>15%</u> of the increment
24	more than \$400,000 <u>\$500,000</u> and	
25	not more than \$500,000 <u>\$1,000,000</u>	1-15% <u>1%</u> of the increment

more than ~~\$500,000~~ \$1,000,000 ~~1.438%~~ 1.5% of the increment"

Section 7. Section 90-6-303, MCA, is amended to read:

"90-6-303. Chairman — meetings -- facilities -- funding. (1) The board shall elect a chairman from among its members.

(2) The board shall meet as necessary or as called by the chairman or a majority of the members.

(3) The board is allocated to the department of commerce for administrative purposes only as provided in 2-15-121.

(4) The administrative and operating expenses of the board shall be paid from the revenue generated deposited to the credit of the hard-rock mining impact trust account from the license tax on metal mines imposed under Title 15, chapter 37."

Section 8. Section 90-6-304, MCA, is amended to read:

"90-6-304. ~~Account~~ Accounts established. (1) There is within the earmarked revenue fund a hard-rock mining impact account. Moneys are payable into this account from payments made by a mining developer in compliance with the written guarantee from the developer to meet the increased costs of public services and facilities as specified in the impact plan provided for in 90-6-307. The state treasurer shall draw warrants from this account upon order of the hard-rock mining impact board.

(2) There is within the earmarked revenue fund a hard-rock mining impact trust account. Money is payable into this account under the provisions of [section 1]. After deducting the administrative and operating expenses of the board as provided in 90-6-303, money must be segregated within the account by county of origin. The state treasurer shall draw warrants from this account upon order of the hard-rock mining impact board."

Section 9. Section 90-6-305, MCA, is amended to read:

"90-6-305. Hard-rock mining impact board — general

powers. (1) The board may:

(a) retain professional staff, consultants, and advisors notwithstanding the provisions of 2-15-121;

(b) adopt rules governing its proceedings and determinations;

(c) award grants to local government units subject to 90-6-306;

(d) award grants or loans to local government units from money paid into the hard-rock mining impact trust account subject to the provisions of [sections 2 and 3];

~~(d)(e)~~ make payments to local government units from money paid to the hard-rock mining impact account as provided in 90-6-307;

~~(e)(f)~~ make determinations as provided in 90-6-307, [sections 2 and 3]; and

1 ~~(f)(g)~~ accept grants and other funds to be used in
2 carrying out this part.

3 (2) The provisions of the Montana Administrative
4 Procedure Act apply to the proceedings and determinations of
5 the board."

6 Section 10. Section 90-6-306, MCA, is amended to read:

7 "90-6-306. Basis for awarding grants. Grants,
8 including those from the hard-rock mining impact trust
9 accounts, shall be awarded to local government units on the
10 basis of:

11 (1) need;

12 (2) severity of impact from mineral development;

13 (3) availability of funds; and

14 (4) extent of local effort in meeting its needs."

15 ~~NEW SECTION.~~ Section 11. Codification instructions.

16 (1) Section 1 is intended to be codified as an integral part
17 of Title 15, chapter 37, part 1, and the provisions of Title
18 15, chapter 37, part 1, apply to section 1.

19 (2) Sections 2 and 3 are intended to be codified as an
20 integral part of Title 90, chapter 6, part 3, and the
21 provisions of Title 90, chapter 6, part 3, apply to sections
22 2 and 3.

-End-

STATE OF MONTANA

REQUEST NO. 225-83

FISCAL NOTE

Form BD-15

In compliance with a written request received January 25, , 19 83 , there is hereby submitted a Fiscal Note for House Bill 446 pursuant to Chapter 53, Laws of Montana, 1965 - Thirty-Ninth Legislative Assembly. Background information used in developing this Fiscal Note is available from the Office of Budget and Program Planning, to members of the Legislature upon request.

DESCRIPTION OF PROPOSED LEGISLATION:

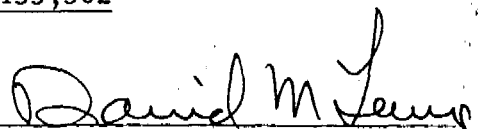
House Bill 446 provides for the allocation of metalliferous mines license taxes to the general fund and to an impact trust account; restricts the uses of the impact trust account; and provides for a small miner's exemption from the metalliferous mines license tax.

ASSUMPTIONS:

- 1) The Office of Budget and Program Planning's forecast of the gross value of metal mine production and severance tax collections are correct.
- 2) Estimates of the change in tax burdens calculated for 1981 production will apply to fiscal year 1984 and 1985 receipts.
- 3) The proposal would not increase the administrative costs of collecting the tax.
- 4) These estimates assume that the Anaconda Company closes as of July 1, 1983.

FISCAL IMPACT:

	<u>FY84</u>	<u>FY85</u>
Metalliferous Mines License Tax		
Under Current Law	\$968,000	\$482,000
Under Proposed Law	972,400	471,400
Estimated Increase (Decrease)	<u>\$ 4,400</u>	<u>(10,600)</u>
General Fund		
Under Current Law	968,000	482,000
Under Proposed Law	651,508	315,838
Estimated Decrease	<u>(316,492)</u>	<u>(166,162)</u>
Hard Rock Mining Impact Trust		
Under Current Law	-0-	-0-
Under Proposed Law	320,892	155,562
Estimated Increase	<u>320,892</u>	<u>155,562</u>

Continued

BUDGET DIRECTOR

Office of Budget and Program Planning

Date: 1-31-83

-2-

LONG-RANGE EFFECTS OF PROPOSED LEGISLATION:

The bill could increase metalliferous mines license tax collections relative to current law when and if the Anaconda Company resumes production or other large mines begin producing.

FISCAL NOTE 8:U/2

position creates a situation where the owner elects not to pay the yearly fee. The new language will eliminate this situation and provide a mechanism of equal treatment for all structures used as residences. Second, many fifth wheel type recreational vehicles currently exceed the present statutory dimension requirements. As such they do not meet fee requirements and must pay an ad valorem tax similar to mobile homes. Clearly this situation must be rectified and the suggested language will allow such recreational vehicles to be treated in the same manner as all others.

REPRESENTATIVE EUDAILY referred to line 17, page 1, of the bill and said there is a reference to principal residence. He doesn't know if "principal" should be deleted from that line or added to line 25, page 2. He said he would leave that to the judgement of this committee.

REPRESENTATIVE DEVLIN asked where the 400 foot maximum came from. Representative Eudaily said that figure was recommended by the Department of Revenue. Greg Groepper, Administrator of the Property Assessment Division, Department of Revenue, said 400 square feet is the standard length of a travel trailer.

The hearing was closed on HB 466.

HOUSE BILL 446

REPRESENTATIVE DAVE BROWN, District 33, chief sponsor of the bill, said he is a strong proponent of HB 446. The bill is a result of efforts of 14 months of work done on hard-rock mining by the subcommittees of the Environmental Quality Council and the Revenue Oversight Committee.

REPRESENTATIVE BROWN went over the structure of HB 446. He said page 1, subsection 2, of the bill sets apart 33% of the metalliferous mines license tax for use as a hard-rock trust account kept by the county that originated the tax. That account is triggered when a hard-rock mine closes or loses 50% of its employment over five years. He referred to page 6 of the bill and said the rate of tax has been restructured slightly so that the annual license tax is based on the first \$250,000 of the gross value of the produce instead of the first \$100,000 at a rate of 1.5%. He asked this committee to consider the possibility of lowering that rate to 1.438% as it was before, which he thinks is a sufficient enough impact on hard-rock mining; he doesn't want to increase the tax.

REPRESENTATIVE BROWN said the trust account would be put under the Hard-Rock Mining Board. During the hard-rock mining study, there were two major issues raised: 1) HB 718 and the resulting inequities of the major changes made by the bill; and 2) the taxation matter.

The subcommittee of the Environmental Quality Council was unwilling to try to restructure the taxation that would affect the hard-rock mining industry. That restructuring would take a major rewrite of most of Montana's statutes on taxation to accomplish what the subcommittee thought should be accomplished. Representative Brown said he doesn't mean that subject is dead but it is a subject beyond the scope of tackling at this time.

REPRESENTATIVE BROWN said there is no fiscal note for this bill yet. The Governor's budget reflects a \$3 million decrease in this tax over the biennium from loss of production of the Anaconda Mining Company. The Golden Sunlight Mine, in Whitehall, is coming into full production and it is estimated that \$450,000 will be put into the impact trust account during the next year. The A.S.A.R.C.O. mine, in Troy, will contribute another \$900,000 to the impact trust account. There will be \$150,000 more, in the account, than presently exists and that money was not taken into account in the Governor's budget. If HB 446 passes, no money will be taken out of the Governor's budget.

REPRESENTATIVE BROWN said last session, the legislature set into place a bill to deal with frontend and intermediate impacts of hard-rock mining and HB 446 is a completion of that project. It sets up a tailend impact account.

REPRESENTATIVE BROWN said he hopes this committee will give HB 446 serious and favorable consideration.

Proponents

REPRESENTATIVE ORVAL ELLISON, District 73, said the sponsors of HB 718 purposely left off tailend impact because they had enough problems working out the existing problems.

REPRESENTATIVE ELLISON said when he contemplated introducing the hard-rock mining bill last session he talked with Sid Groff of the Bureau of Mines and asked him if he thought an increase of 2% of the tax would hurt. Mr. Groff said that would be a good way to run mining companies out of the state of Montana. Representative Ellison thought Mr. Groff's opinion might be biased but the more Representative Ellison worked on the bill, the more he saw what Mr. Groff said was true. He agrees with Representative Brown's recommendation of lowering the tax rate from 1.5% back down to 1.438%.

REPRESENTATIVE ELLISON said the hard-rock mining subcommittee did a very indepth study of the problems involved with hard-rock mining and HB 446 is a very good method of alleviating the impact on hard-rock mining in this state.

GARY LANGLEY, representing the Montana Mining Association, said the mining industry would prefer that metal mines license tax be repealed. The reason for the association's opposition to the metal mines license tax is that it is a regressive tax that is levied on an industry rather than income or profitability. As with any form of severance tax, such as the metal mines license tax, the state takes its share first without regard to investment or production costs - without regard to whether the industry is making a profit. A gross severance tax, such as the metal mines license tax, strikes back the industry hardest when metal prices and profits are low.

MR. LANGLEY said the MMA supports this measure in concept because if a severance tax must be levied against the mining industry, a certain portion of it should be set aside for local governments to deal with so-called "tail end" impacts when a mining operation ceases production. The metal mines license tax does not contribute significantly to state revenue. Therefore, it would seem appropriate to earmark a certain portion of the collections to local governments. There are two bills before this legislature that address the metal mines license tax - House Bill 380, which would eliminate the tax, and HB 446, which proposes a slight increase in the tax. The MMA recognizes the state's right to levy taxes, however, they feel taxation should be tempered by reasonableness and fairness. (See EXHIBIT 2.)

LES DARLING, representing the Stillwater PGM Resources, said they support HB 446. He said the Stillwater PGM Resources is operating in the state of Montana with about 25 employees. What is decided in this committee will have a big effect on their mining approach.

WARD SHANAHAN, representing the Stillwater PGM Resources, said a severance tax is a property tax because it is levied on the value of the minerals extracted. Property taxes in Montana are typically low taxes. The problem with severance tax at the state level is that it is subject to unlimited demands of the state general fund. The tax is levied on property whether there is a profit or not. House Bill 446 is a step in the right direction in moving metal mines tax back to the local level. Hard-rock mining is different than coal and oil and gas because the cost of those things can be passed on to the consumer. The hard-rock mining industry cannot pass the cost on to the consumer because it is an internal market. (See EXHIBIT 3.)

JIM RICHARD, representing Stillwater County, said for previous reasons given by the proponents, he supports HB 446.

MARC LEDBETTER, representing the Northern Plains Resource Council, testified in support of HB 446. Last session, this legislature took up the issue of economic impacts from hard-rock mineral development. Two bills were introduced on the matter - Senate Bill 344, which would have established a hard-

rock severance tax, passed the Senate but was later killed in the House Taxation Committee. The other bill, HB 718, passed both houses and is now law.

House Bill 718 sets up a process for dealing with the costs imposed on a community by mining development, but it had a serious flaw. It did not address the issue of what is now called tail end impacts. Mr. Ledbetter said this committee should show the foresight that this legislature should have shown long ago. It should support setting aside money for problems that are inevitable for an industry based on a finite resource. When coal fields are mined out, in the future, this state will have something to turn to. We had the foresight to start setting aside money for that. We need now to do the same for hard-rock minerals. (See EXHIBIT 4.)

There were no opponents testifying on HB 446.

REPRESENTATIVE BROWN, in closing, said HB 446 allows for the expansion beyond the county of original tax. He said while he might be disposed to voting for the elimination of the metalliferous mines license tax, it was the determination of the subcommittee that at this time, given the economy of this state, the state cannot afford the loss of that revenue. While the tax is a burden on the industry, it is not an excessive tax.

HOUSE BILL 446 would wrap up a chapter in Montana's history that is important to all concerned. He said there is no question that a fund like this will have a substantial impact. He urged this committee's favorable consideration of HB 446.

REPRESENTATIVE SWITZER asked the sponsor of the bill if he had any idea how much the Anaconda Company has paid into the shut-down impact fund. Representative Brown said the bulk of \$5 million went to Anaconda and Great Falls, and a small amount of it went to Butte-Silver Bow.

REPRESENTATIVE SWITZER asked Representative Brown how he would react to lowering the tax rate from 1.438% to 1.25% as an indication that Montana realizes the mining industry has fallen on hard times and we would be willing to help out. Representative Brown said the state coffers could not stand that kind of decrease but he has some misgivings about that position. Representative Brown said he had a bill that was to be introduced that would lower the percentage to 1.25% but because the state could not afford that kind of decrease, he did not introduce the bill.

REPRESENTATIVE SWITZER asked if there might be a false sense of security established as a result of the tail end impact account. Representative Brown said an average mine life is 20-30 years.

Butte-Silver Bow received \$400,000 out of the \$5 million deposited by the Anaconda Company in the tail end impact account. That \$400,000 created 25 new jobs and most of the money that was lent out to new businesses has been recovered through interest paid on the money.

The hearing on HB 446 was closed.

HOUSE BILL 354

REPRESENTATIVE JACK SANDS, District 68, said HB 354 is simple in design but long-range and important in its implication. House Bill 354 is an act to make permanent the clarifications of the small business investment credit statutes and the temporary increase in the small business investment credit enacted by the 47th legislature. He said there has been some question as to whether the sunset provision applies to the original credit that has been in existence since 1977 or only to the increase adopted in 1981. (The last session of the legislature increased the 2% credit to 3% with a sunset provision.) The sunset provision applies only to the increase granted by the last legislative session.

REPRESENTATIVE SANDS said the Legislative Fiscal Analyst's and Governor's budgets were prepared on the assumption that there would be no small business tax credit allowed this year. The small business investment tax credit will cost \$20 million through the next biennium.

REPRESENTATIVE SANDS said now is not the time for a tax increase on a small business. He doesn't believe a tax increase of this kind is the type of increase this state or committee wants or should adopt.

REPRESENTATIVE SANDS said the existing small business credit is used widely in this state. The credit is used by people who are producers and create jobs for economic development in Montana. The investment tax credit is especially desirable in hard times. The investment tax credit is important and useful for farmers and ranchers because of the investment in machinery.

REPRESENTATIVE SANDS said the Governor's "Build Montana" program is a good program and one this state needs. The cost of the program will be \$10.5 million over the biennium. However, Representative Sands said he doesn't think it is right to provide \$10.5 million in new government programs to create jobs and then have to raise taxes to cover those expenses.

REPRESENTATIVE SANDS said he would like to submit some amendments to HB 354, at a later date, before this committee takes final action on the bill.

TESTIMONY OF GARY A. LANGLEY, EXECUTIVE DIRECTOR OF THE MONTANA MINING ASSOCIATION, BEFORE THE HOUSE TAXATION COMMITTEE REGARDING HOUSE BILL 446.

FEBRUARY 1, 1983

MR. CHAIRMAN, MEMBERS OF THE COMMITTEE:

MY NAME IS GARY LANGLEY, I AM EXECUTIVE DIRECTOR OF THE MONTANA MINING ASSOCIATION. THE MONTANA MINING ASSOCIATION HAS ABOUT 600 MEMBERS FROM THROUGHOUT THE STATE OF MONTANA. THE ASSOCIATION REPRESENTS EVERY MAJOR PRODUCER OF NON-FUELS MINERALS IN THE MONTANA AS WELL AS SEVERAL LARGE COMPANIES THAT HOPE TO BECOME ACTIVE IN MONTANA IN THE FUTURE. THE ASSOCIATION ALSO REPRESENTS SMALL-SCALE PRODUCERS OF NON-FUELS MINERALS AS WELL AS SUPPLIERS OF MINING EQUIPMENT.

EACH OF OUR MEMBERS HAS A VITAL INTEREST IN THE SEVERANCE TAX PROPOSALS IN HOUSE BILL 446.

AS I SAID IN TESTIMONY BEFORE THIS COMMITTEE LAST WEEK, THE MINING INDUSTRY WOULD PREFER THAT THE METAL MINES LICENSE TAX BE REPEALED.

THE REASON FOR OUR OPPOSITION TO THE METAL MINES LICENSE TAX IS THAT IT IS A REGRESSIVE TAX THAT IS LEVIED ON AN INDUSTRY RATHER THAN INCOME OR PROFITABILITY.

AS WITH ANY FORM OF SEVERANCE TAX, SUCH AS THE METAL MINES LICENSE TAX, THE STATE TAKES ITS SHARE FIRST WITHOUT REGARD TO INVESTMENT OR PRODUCTION COSTS--WITHOUT REGARD, IF YOU WILL, TO WHETHER THE INDUSTRY IS MAKING A PROFIT. THUS, A GROSS SEVERANCE TAX, SUCH AS THE METAL MINES LICENSE TAX, STRIKES BACK THE INDUSTRY HARDEST WHEN METAL PRICES AND PROFITS--IF ANY--ARE LOW.

HOWEVER, IT WOULD BE DIFFICULT FOR ME TO STAND BEFORE THIS COMMITTEE TODAY AND OPPOSE HOUSE BILL 446, WHICH IS THE CORNERSTONE OF A REPORT THAT CONSTITUTED 18 MONTHS OF STUDY BY THE ENVIRONMENTAL QUALITY COUNCIL'S SUBCOMMITTEE ON HARDROCK MINING. THAT REPORT HAS SINCE BEEN ENDORSED BY THE ENTIRE ENVIRONMENTAL QUALITY COUNCIL AND THE JOINT REVENUE OVERSIGHT COMMITTEE.

WE SUPPORT THIS MEASURE IN CONCEPT BECAUSE IF A SEVERANCE TAX MUST BE LEVIED AGAINST THE MINING INDUSTRY, A CERTAIN PORTION OF IT SHOULD BE SET ASIDE FOR LOCAL GOVERNMENTS TO DEAL WITH SO-CALLED "TAIL END" IMPACTS WHEN A MINING OPERATION CEASES PRODUCTION.

THE METAL MINES LICENSE TAX DOES NOT CONTRIBUTE SIGNIFICANTLY TO STATE REVENUE. THEREFORE, IT WOULD SEEM APPROPRIATE TO FARMARK A CERTAIN PORTION OF THE COLLECTIONS TO LOCAL GOVERNMENTS.

YOU NOW HAVE TWO BILLS BEFORE YOU THAT ADDRESS THE METAL MINES LICENSE TAX--HOUSE BILL 380, WHICH WOULD ELIMINATE THE TAX, AND HOUSE BILL 446, WHICH PROPOSE A SLIGHT INCREASE IN THE TAX.

THE MONTANA MINING ASSOCIATION RECOGNIZES THE STATE'S RIGHT TO LEVY TAXES. HOWEVER, WE FEEL TAXATION SHOULD BE TEMPERED BY REASONABLENESS AND FAIRNESS.

BEFORE YOU DECIDE ON THE BILLS NOW BEFORE YOU, IT IS NECESSARY FOR YOU TO UNDERSTAND THE COMPLEXITIES OF SEVERANCE TAXATION AS IT RELATES TO THE MINING INDUSTRY.

THE MINING INDUSTRY IN MONTANA ALREADY PAYS FIVE SEPARATE TAXES. IN ADDITION TO THE CORPORATE LICENSE TAX AND TAXES ON REAL AND PERSONAL PROPERTY, MINING COMPANIES PAY THREE TAXES THAT ARE UNIQUE TO THE MINERALS INDUSTRY. THESE ARE THE METAL MINES LICENSE TAX, THE RESOURCE INDEMNITY TRUST TAX AND A NET PROCEEDS OR GROSS PROCEEDS TAX, DEPENDING ON THE MINERAL MINED. THE LATTER TAX GOES DIRECTLY TO THE COUNTY OR SCHOOL DISTRICT IN WHICH THE MINE IS LOCATED.

IN THE CASE OF A MINE COMPARABLE TO THE ASARCO TROY PROJECT, ANNUAL CORPORATE TAXES WOULD AMOUNT TO \$800,000 TO THE LOCAL GOVERNMENT AND \$1.3 MILLION TO THE STATE.

IT WOULD BE DIFFICULT TO PROVE THAT ANY SEVERANCE TAX, BY ITSELF, WOULD SHUT DOWN A PRODUCING MINE IN MONTANA OR KEEP A POTENTIAL MINE FROM OPENING. HOWEVER, TAXATION IS A COMPONENT AFFECTING THE DELICATE BALANCE OF ECONOMIC FACTORS THAT LEAD TO SUCH DECISIONS.

LIKE FARM PRODUCTS, HARDROCK MINERALS ARE COMMODITIES. A MINING COMPANY CANNOT INFLUENCE OR SET THE PRICE OF ITS PRODUCT. THE PRICE IS SET ON A WORLD MARKET, AND MONTANA MINERALS MUST BE ABLE TO COMPETE ON THAT MARKET. THEREFORE, PRODUCTION COSTS, OF WHICH TAXES ARE A PART, DETERMINE WHETHER MONTANA MINES ARE COMPETITIVE WITH THOSE IN OTHER MINERAL-PRODUCING STATES.

ACCORDING TO A U.S. BUREAU OF MINES STUDY CONDUCTED FOR THE ENVIRONMENTAL QUALITY COUNCIL, MONTANA HAS THE HIGHEST SEVERANCE TAXES ON COPPER AND AMONG THE HIGHEST TAXES ON OTHER HARDROCK MINERALS IN THE WEST. IN A RECENT STUDY BY THE MONTANA BUREAU OF MINES, RELEASED OVER THE WEEKEND, SHOWED THAT ALTHOUGH MONTANA'S MINERAL PRODUCTION POTENTIAL IS SIMILAR TO ITS SISTER STATES IN THE ROCKIES, OUR STATE IS BRINGING UP THE REAR IN PRODUCED MINERAL VALUE.

THUS, A LEGITIMATE QUESTION IS WHETHER THERE IS A CORRELATION BETWEEN MINERAL PRODUCTION AND STATE TAX POLICY.

AT LEAST TWO STATE STUDIES CONDUCTED IN THE PAST YEAR HAVE RECOMMENDED THAT THERE BE NO INCREASE IN MINERAL SEVERANCE TAXES. AND SOME INDIVIDUALS HAVE SUGGESTED THAT SEVERANCE TAXES BE REDUCED TO PROVIDE A MORE FAVORABLE CLIMATE.

MINING IS A BASIC INDUSTRY IN MONTANA JUST LIKE AGRICULTURE. THAT MEANS IT INJECTS NEW FUNDS INTO THE STATE'S ECONOMY WHICH CREATES ADDITIONAL INCOMES AS DOLLARS ARE SPENT AND RESPENT.

THE MINING INDUSTRY MUST REMAIN STRONG, NOT ONLY TO PROVIDE FOR ITSELF, BUT TO MAKE A POSITIVE ECONOMIC CONTRIBUTION TO THE STATE.

AT PRESENT, BECAUSE OF ECONOMIC CONDITIONS, THE MINING INDUSTRY IS NOT DOING WELL IN MONTANA.

HOWEVER, THE POTENTIAL EXISTS FOR GROWTH, AND STATE TAX POLICY WILL BE A MAJOR FACTOR IN DETERMINING THE EXTENT OF THE GROWTH.

THANK YOU.

ADDRESS 301 First National Bank Building DATE Februaury 1, 1983
Helena, Montana
WHOM DO YOU REPRESENT Stillwater PGM Resources, Big Timber, Montana
SUPPORT x x x x OPPOSE AMEND x x x x

PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.

Comments: Stillwater PGM Resources generally favors the "local impact" application of property taxes generated by the extraction of natural resources. A severance tax like the metal mines tax is a "property tax" because it is levied on the value of mineral extracted because they cannot be accurately valued in place.

We supported HB 718 in the 1981 session which created the Hard Rock Impact Board and began a system of dealing realistically with mining impacts at the local level. HJR 66 was intended to review the "impact bill" further to determine if it needed adjustment and to determine what other tax requirements might be needed. The study found that the Impact Board needed proper funding, that mine closure problems should be addressed and that the industry itself was ill equipped economically to deal with the first two problems. HB 446 specifically answers all three problems:

- (1) It provides a source of funding for the impact board.
- (2) It creates a source of funding for the closure problem.
- (3) It uses an existing source without unduly increasing the burden.

HB 446 has been endorsed by both the EQC and the Revenue Oversight Committee.

Although we believe the HJR 66 study demonstrates that hard rock mining should actually get a tax cut (we supported HB 380 which would do this), if the committee cannot accept this solution, then HB 446 is the obvious alternative. Another bill HB 31 tries to do the same thing, but it unnecessarily creates yet another board to deal with mine closure. The Hard Rock Board is already in place to do the job, and HB 446 would make this possible.

Our only objection to HB 446 is the increase in taxes which it contains. This should be amended to restore the old tax level (1.438%). The U.S. Bureau of Mines study done for the EQC in 1982 demonstrates the necessity for this amendment (See EQC report of January 1983).

The hard rock mining industry, a basic industry, cannot endure in an international market economy with a severance "property tax" based on gross value feeding the unlimited needs of the state general fund. This type of tax should be kept at the local level with other property taxes. HB 446 is a step towards achieving that goal and we approve. Our company will pay corporate license or "income" based taxes into the state general fund like any other business. Income taxes are much better able to cope with increasing demands for state revenues, because they allow cost deductions and require the legislature to consider a company's profitability.

The adoption by Montana of the impact financing approach to local problems based on a demonstration of needs directly related to the changes caused by the new industry, is a realistic way to solve local problems of a rural economy. We hope this approach will continue in place of the destructive effects of state-related severance taxation. This will be a solid encouragement for our company.

NORTHERN PLAINS RESOURCE COUNCIL

EXHIBIT
2-1-83

Field Office
Box 858
Helena, MT 59624
(406) 443-4965

Main Office
419 Stapleton Building
Billings, MT 59101
(406) 248-1154

Field Office
Box 886
Glendive, MT 59330
(406) 365-2525

TESTIMONY OF THE NORTHERN PLAINS RESOURCE COUNCIL ON HB 446
BEFORE THE HOUSE TAXATION COMMITTEE, FEBRUARY 1, 1983

My name is Marc Ledbetter and I'm representing the Northern Plains Resource Council. I'm testifying in support of HB 446.

Last session this legislature took up the issue of economic impacts from hard rock mineral development. Two bills were introduced on the matter. SB 344, which would have established a hard rock severance tax, passed the Senate but was later killed in the House Taxation Committee. The other bill, HB 718, passed both houses and is now law.

HB 718 set up a process for dealing with the costs imposed on a community by mining development, but it had a serious flaw. It did not address the issue of what is now called tailend impacts. So, we are back this session again talking about the impacts of hard rock mineral development.

I'm sure this committee needs very little explanation of what tailend impacts are. Montanan's have seen their share of examples of what happens when a major industry shuts down. Perhaps the best way to explain the effects we're talking about is to look at how the Montana Standard described the impacts in an editorial the Standard ran in October of 1980. The editorial is entitled, "Arco's Pullout Shows Severance Tax Need".

Montana's congressmen should invite their unenlightened colleagues -- those who want to limit state severance tax powers -- to travel to Anaconda with them. The tax foes could talk with hundreds of workers who have lost their jobs, and to the worker's wives and children, and find out what a sudden loss of livelihood does to a family's standard of living, its future, and its peace of mind. They could talk to local government officials, and find out what happens to long-term tax revenues and government services and planning when a community's major industry suddenly pulls out.

Anaconda business people could tell them about the indirect impact of major layoffs -- about how employees who never drew an Anaconda Co. paycheck eventually may find themselves "fired" by Arco.

The tax foes would find the opinions of suddenly unemployed home-buyers interesting. The opinions of lenders who hold the mortgages would be worth listening to, also.

HB 446 takes a step in the direction of addressing these problems. However, it is only a small step when a full stride is needed. The collapsing of tax bases and the surges in demand for local government services are multi-million dollar problems -- problems that could rapidly exhaust the amount of money this bill could raise.

This committee should show the foresight that this legislature should have shown long ago. It should support setting aside money

for problems that are inevitable for an industry based on a finite resource.

When coal fields are mined out in the future this state will have something to turn to. We had the foresight to start setting aside money for that. We need now to do the same for hard rock minerals.

REPRESENTATIVE HARRINGTON was assigned to carry the bill in the House.

House Bill 31, House Bill 380 and House Bill 446

CHAIRMAN YARDLEY said HB 31, HB 380 and HB 446 are not compatible bills and this committee has to decide on one of the bills.

REPRESENTATIVE SWITZER moved HB 380 DO PASS.

REPRESENTATIVE HARRINGTON made a substitute motion that HB 380 DO NOT PASS.

REPRESENTATIVE HARRINGTON said in 1925, the metal mines license tax was initiated by the people. He said he feels that this is an area that is long overdue for a change in the law to add areas rather than take the tax out altogether. This bill is wrong and we would be moving in the wrong direction.

REPRESENTATIVE SWITZER said the mining operation has been marginal until just recently. Two gold mines recently opened. Copper mining is bleak. Everywhere he has gone he has heard unfavorable comments regarding Montana's treatment of the mining industry. There is a lack of incentive on outside mining.

REPRESENTATIVE SWITZER said there have been four options and every one raised the tax of 1.438% to 1.5%. Those options are contrary to everything he has heard to he said he thought we needed a fifth option - to repeal the tax.

REPRESENTATIVE SWITZER said he thinks we have too much government now and less revenue will make less government.

CHAIRMAN YARDLEY asked Jim Oppedahl to give a quick review of the three bills.

JIM OPPEDAHL said HB 380 repeals the current metalliferous mines tax. House Bill 31 takes a portion of that tax and puts it in a fund to be used for immediate impacts. House Bill 446 takes 33% of that money and puts it in a trust fund to be used for impacts after a substantial reduction or ceasing of operations of a mine.

REPRESENTATIVE WILLIAMS said he supports the substitute motion. He said he doesn't think the impact will retard metal mine operations in Montana.

The motion that HB 380 DO NOT PASS was voted on and PASSED. A roll call vote was taken and all committee members voted yes except Representatives Devlin, Harp, Switzer, Underdal and Vinger, who voted no. Representative Abrams was excused at the time of the vote.

REPRESENTATIVE WILLIAMS moved HB 446 DO PASS.

REPRESENTATIVE HARRINGTON passed out copies of EXHIBIT 2, a letter from Carol Ferguson, Administrative Officer of the Hard-Rock Mining Impact Board.

REPRESENTATIVE NORDTVEDT said we should have a formula to redistribute net gross proceeds tax among local governments and not to just the areas where the mines are located. There is no need for additional impact money either upfront or tailend. The net gross proceeds tax is not being distributed to the right taxing jurisdictions.

REPRESENTATIVE HARRINGTON said HB 31 addresses the problem more than HB 446. There is a small percentage of money that goes into this fund. House Bill 31 addresses direct impact aid - ongoing. Butte has an ongoing problem. House Bill 446 does not give aid to a community directly. House Bill 446 addresses tailend impacts. This money should not just sit in a fund. You have to have something to help communities with impacts caused by mining. Butte has problems today but even if the mining opened up again, Butte would still have the same problems. Representative Harrington said if HB 446 could directly address problems in the areas, he would have no problem voting for that bill, but it doesn't and that is why he cannot vote for the bill.

REPRESENTATIVE BROWN, sponsor of HB 446, said HB 446 will provide impact money to an area where a mine reduces employment by 50% over a five-year period. With HB 31, the money will be there every year and the counties will provide for that money in their budgets. When the money stops, the counties will come in for financial help for their budgets.

REPRESENTATIVE HARRINGTON said he doesn't feel the money, provided by HB 31, would become a part of the counties' budgets. Each county would have to go to the Board and come up with reasons why they need the money. This would not be an ongoing budget process because the county would not know if they would be getting the money every year or not.

REPRESENTATIVE SWITZER said if this committee decides to go with the 1.438% contained in HB 446, there would be no increase and he could support that.

REPRESENTATIVE SWITZER moved the 1.5% be amended to 1.438%.

REPRESENTATIVE NEUMAN said the reason for going to 1.5% was just to round up the number. The increase would not be that large.

The motion was voted on and FAILED. All committee members voted no except Representatives Devlin, Harp, Nordtvedt, Switzer, Underdal and Vinger, who voted yes.

REPRESENTATIVE WILLIAMS said he would include the statement of intent in his motion that HB 446 DO PASS.

The motion was voted on and PASSED. A roll call vote was taken and all committee members voted yes except Representatives Neuman, Nordtvedt, Ream and Switzer, who voted no.

REPRESENTATIVE HARRINGTON said he voted for the bill because he wants to see either HB 446 or HB 31 passed, but he prefers HB 31.

CHAIRMAN YARDLEY said he would entertain a motion to TABLE HB 31. Representative Harrington said he would rather have the bill acted on so that he could debate it on the floor.

REPRESENTATIVE HARRINGTON moved HB 31 DO PASS.

REPRESENTATIVE NORDTVEDT made a substitute motion that HB 31 DO NOT PASS.

The motion was voted on and PASSED. All committee members voted yes except Representatives Dozier, Harrington, Keenan, Nilson and Ream, who voted no.

House Bill 582

REPRESENTATIVE SWITZER moved HB 582 DO PASS.

REPRESENTATIVE HARRINGTON said the net proceeds tax is well outlined and the deductions are clarified. He opposes the motion.

REPRESENTATIVE SWITZER said HB 582 delays the allowable business expenses. It does not represent tax relief. Mines in Montana have lost some markets, as close as North Dakota, because of the high price caused by the taxes.

REPRESENTATIVE WILLIAMS said he opposes the motion because he doesn't believe the mining industry is in that much trouble at this time. The fiscal impact of this bill would be \$600,000.

REPRESENTATIVE DOZIER said he doesn't feel we need this bill.

The motion of DO PASS was voted on and FAILED. A roll call vote was taken and all members voted no except Representatives Asay, Bertelsen, Devlin, Harp, Jacobsen, Nordtvedt, Switzer, Underdal and Vinger, who voted yes.

REPRESENTATIVE BERTELSEN moved to reverse the vote and have the bill come out of committee with a DO NOT PASS.

The motion was voted on and PASSED unanimously.

House Bill 717

REPRESENTATIVE HARP moved HB 717 DO PASS.

REPRESENTATIVE HARP told committee members to rip up the fiscal

STANDING COMMITTEE REPORT

March 10,

83

19.....

MR. **SPEAKER:**

TAXATION

We, your committee on

having had under consideration **HOUSE** Bill No. **446**

First reading copy (**White**)
color

A BILL FOR AN ACT ENTITLED: "AN ACT PROVIDING FOR THE ALLOCATION OF METALLIFEROUS MINES LICENSE TAXES TO THE GENERAL FUND AND TO AN IMPACT TRUST ACCOUNT; RESTRICTING THE USES OF THE IMPACT TRUST ACCOUNT; PROVIDING FOR A SMALL MINER'S EXEMPTION FROM THE METALLIFEROUS MINES LICENSE TAX; AMENDING SECTIONS 15-1-501, 15-37-101, 15-37-103, AND 90-6-303 THROUGH 90-6-306, MCA."

Respectfully report as follows: That **HOUSE** Bill No. **445**
be amended as follows:

1. Page 7, line 1.
Strike: "1.50"
Insert: "1.4301"

~~XXXXXX~~ **AND AS AMENDED**
~~DO PASS~~ **DO PASS**

STATEMENT OF INTENT ATTACHED

STATE PUB. CO.
Helena, Mont.

..... **DAN YARDLEY,**
Chairman.

COMMITTEE SECRETARY

MR. SPEAKER:

WE, YOUR COMMITTEE ON TAXATION, HAVING UNDER CONSIDERATION HOUSE BILL 446, FIRST READING COPY (WHITE), ATTACH THE FOLLOWING STATEMENT OF INTENT:

STATEMENT OF INTENT
HOUSE BILL NO. 446
House Taxation Committee

A statement of intent is required for this bill because it delegates rulemaking authority to the Hard-Rock Mining Impact Board. Section 3 of the bill provides that the Board must adopt rules that provide a procedure for designating local government units and areas impacted by the cessation or reduction of mining activity.

The Legislature contemplates that the rules would:

- (1) define the local government units "directly impacted" by the cessation or reduction of mining activity in a manner that considers the actual impact on local government units, regardless of their location, from such a cessation or reduction.
- (2) consider, in providing such definition, factors such as the impact of a cessation or reduction upon an area's economy, labor-force, and the continued provision of local government services.
- (3) define a method for establishing the pro-rata share of impact to designated local government units.

on the computer that is utilized for the whole company's operations. It is not workable administratively to pick those costs out. That is the problem.

Senator Gage wondered if the committee could work with the Department of Revenue to come up with a percentage factor in lieu of costs. Mr. Shanahan said that they proposed .3 and .4 to the Department.

Senator Towe asked Mr. Keyes if he was seeking to have the payroll clerk's whole salary deducted, and Mr. Keyes said no, just regarding the mining checks.

Representative Switzer closed, saying the need for the bill has been demonstrated.

The hearing on HB 582 was closed.

CONSIDERATION OF HOUSE BILL 446: Representative Dave Brown, House District 83, said the hard-rock mining subcommittee's study found that impacted areas need proper funding. This bill allocates the metalliferous mines license taxes two-thirds to the general fund and one-third to the hard-rock mining impact trust account beginning July 1, 1985. New section 2 provides the bases for awarding grants and loans from the impact trust account. The trust account will be maintained on a county-to-county basis. The deletion of 15-1-501(1)(c) on page 4 is to make this section consistent with the new language on page 1 of the bill. The amendment in section 5 on page 5 adds impacted local governments to the beneficiaries of the metal mines tax. Section 6 offers a slight change in the way the tax is computed. A small miners' exemption is provided. Section 8 establishes the hard-rock mining impact trust account within the earmarked revenue fund. Section 9 authorizes the hard-rock mining impact board to award grants or loans in accordance with the other provisions of this bill. Mining began in Montana in 1864; we have been 119 years without this legislation. He said he hoped that in the future we won't have to face the impact problems that Butte has today.

PROPOSERS

Gary Langley, representing the Montana Mining Association, submitted written testimony attached as Exhibit G.

Ward Shanahan, representing Stillwater PGM Resources, submitted written testimony, attached as Exhibit H.

George Bennett, representing ASARCO, supported the bill, saying their Troy mine has been operating since before the War of the Copper Kings. This bill, and HB 718 from the 1981 session, redefine mining in this state. Mining is cyclical. Mining in the future in Montana will be on a smaller scale. See Exhibit I.

John Peterson, representing Golden Sunlight Mine (Pfizer Amex), supported the concept of HB 446 and endorsed the comments of Representative Brown and the other proponents. After their mine completes production, they will provide for the local community suffering any tail end impacts.

Mark Ledbetter, representing the Northern Plains Resource Council, said HB 718 from the 1981 session solved a lot of problems and this one will solve even more. Tail end impacts are a serious problem in Montana. In Sweetgrass and Stillwater Counties, there was a sudden collapse in the tax base when the mine shut down, and bonds were left unpaid, etc. The costs of closure would be dumped on ranchers to pay. These problems are expensive. The new mine in Whitehall may be grossing \$30 million a year. HB 446 would set aside \$2 million to take care of the effects when the mine closes. Two million dollars doesn't go very far. There is some money here though, so we will support it, he said.

Jim Richards, from Stillwater County, said the county commissioners are in favor of the bill.

Carol Ferguson, on behalf of the Hard-Rock Mining Impact Board, said she wouldn't take a stand on the substance of the bill. She said she was familiar with the responsibilities under the bill and can accept them.

OPPONENTS

There were no opponents to HB 446.

Questions from the committee were called for.

Senator Towe wondered how much would be available in July of this year and if the \$.5 million that the Anaconda Company will pay would go into the impact trust fund. He suggested maybe \$150,000 would be available under this bill.

Senator Lynch asked Representative Brown if impacts relating to suspension were included as well as those occurring because of a shutdown. Representative Brown thought they would be.

Representative Brown urged that any amendments to the bill be just technical ones and nothing else. He said that if the committee wanted to put the allocation to the account back to 33% (the House amended it to 11% through June 30, 1985; then to 33% thereafter), that would be acceptable.

Senator Towe said that his bill, SB 299, would allow borrowing from the educational trust fund, but Representative Brown said he didn't like trading accounts between sources of money.

The hearing on HB 446 was closed.

Senator Norman moved that HB 446 BE CONCURRED IN. The motion was seconded.

Senator Towe then submitted to the committee a comparison of nonferrous metal prices, attached as Exhibit J. He said he would submit to the committee amendments which would (1) increase the taxing on a sliding scale, and (2) authorize borrowing from the coal tax funds. He said he wanted to prevent the taking of \$450,000 from the general fund this year by providing a means of recovery. The budget office has understated the estimates for hard-rock mines this year. He said Representative Brown's figures are more accurate. That money is scheduled to go to the general fund. Senator Towe said his amendments would add a way of recouping the money without touching the general fund.

The committee then discussed borrowing from the coal tax fund. Some thought the money should be used without having to pay it back; other thought it should be paid back to the coal tax fund if it is used.

Senator Crippen suggested that in all fairness to Senator Towe, the committee should let him submit his amendments tomorrow.

Senator Mazurek moved that the committee pass consideration of HB 446 for the day. The motion was seconded and passed, with Senator Norman voting no.

Senator Turnage reminded the committee that if we get into the trust fund, we need a 2/3 vote.

The meeting adjourned at 10 a.m.

Chairman

ROLL CALL

SENATE TAXATION

COMMITTEE

48th LEGISLATIVE SESSION -- 1983

Date 3/23

NAME	PRESENT	ABSENT	EXCUSED
SENATOR GOODOVER, CHAIRMAN	✓		
SENATOR McCALLUM, VICE CHAIRMAN	✓		
SENATOR BROWN		✓	
SENATOR CRIPPEN	✓		
SENATOR ELLIOTT	✓		
SENATOR GAGE	✓		
SENATOR TURNAGE	✓		
SENATOR SEVERSON	✓		
SENATOR HAGER	✓		
SENATOR ECK	✓		
SENATOR HALLIGAN	✓		
SENATOR LYNCH	✓		
SENATOR NORMAN	✓		
SENATOR TOWE	✓		
SENATOR MAZUREK	✓		

DATE March 23 , 1983

COMMITTEE ON

VISITORS' REGISTER

NAME (Print Name)	REPRESENTING	BILL #	Check One	
			Support	Oppose
GEORGE T. ...	ASSTANT ...	HB 446	✓	
JOHN L. Peterson	Golden Summit Mine	582	✓	
WARD SWANSON	STILLWATER DGM	446	✓	
" " "	MONTANA ...	582	AS AM'D	
Fad Dale	Mont Min Assoc	582	AS AM'D	
Glen K...	...	582	AS AM'D	
Wm. J. McCLURG	W. R. GRACE & Co.	"	AS AM'D	
"	"	446	✓	
Earl D. Leitch	W. R. Grace & Co	446	✓	
Earl D. Leitch	"	582	✓	
Fad Dale	Mont Min Assoc	446	✓	
Yon A. ...	Mont Mining Assoc	446	✓	
Yon A. ...	Mont Mining Assoc	582	✓	
David Brown	Sponsor Rep Dist 83	446	✓	
David Brown	Sponsor Rep Dist 54	582	✓	
David Brown	Hardback ...			
Joe ...	...	446	✓	
Jim ...	Stillwater ...	446	✓	
Mike ...	NDRC	446	✓	

(Please leave prepared statement with...)

TESTIMONY OF THE MONTANA MINING ASSOCIATION
REGARDING HOUSE BILL 446
BEFORE THE SENATE TAXATION COMMITTEE
MARCH 23, 1983

EXHIBIT	4
March 23, 1983	
House BILL/RES.	446

MR. CHAIRMAN, MEMBERS OF THE COMMITTEE:

MY NAME IS GARY LANGLEY, I AM EXECUTIVE DIRECTOR OF THE
MONTANA MINING ASSOCIATION.

THE MONTANA MINING ASSOCIATION REPRESENTS EVERY MAJOR PRODUCER
OF HARDROCK MINERALS IN MONTANA AS WELL AS SOME COMPANIES THAT HOPE
TO BECOME ACTIVE IN MONTANA IN THE FUTURE.

THE MONTANA MINING ASSOCIATION SUPPORTS HOUSE BILL 446.

THE MINING INDUSTRY SUPPORTED HOUSE BILL 718 IN THE 1981
SESSION. THIS BILL CREATED THE HARDROCK IMPACT BOARD AND SET IN
MOTION THE APPARATUS FOR DEALING WITH THE FRONT-END IMPACTS OF HARD-
ROCK MINING.

SINCE HOUSE BILL 718 WAS PASSED, THERE HAS BEEN SOME CONCERN
EXPRESSED ABOUT "TAIL END" IMPACTS THAT OCCUR ONCE A MINING OPERATION
CEASES PRODUCTION.

HOUSE BILL 446 SPECIFICALLY ADDRESSES THAT PROBLEM BY SETTING
ASIDE A CERTAIN PORTION OF METAL MINES LICENSE TAX COLLECTIONS FOR
LOCAL IMPACTS.

HOUSE BILL 446 IS THE CORNERSTONE OF A REPORT ISSUED BY THE
ENVIRONMENTAL QUALITY COUNCIL'S SUBCOMMITTEE ON HARDROCK MINING
WHICH WAS MANDATED BY HOUSE JOINT RESOLUTION 66 PASSED BY THE 1981
LEGISLATURE.

TESTIMONY
MARCH 23, 1933
PAGE 2

THE SUBCOMMITTEE'S REPORT ISSUED AFTER 18 MONTHS OF STUDY,
HAS SINCE BEEN ENDORSED BY THE FULL ENVIRONMENTAL QUALITY COUNCIL
AND THE REVENUE OVERSIGHT COMMITTEE.

WE URGE THIS COMMITTEE'S CONCURRENCE IN HOUSE BILL 446.

THANK YOU.

March 23, 1983

NAME Ward A. Shanahan BILL NO. HB 446 BILL/RES.
ADDRESS P.O. Box 1715, Helena, MT 59624 DATE 03/23/83
WHOM DO YOU REPRESENT Stillwater PGM Resources
SUPPORT XXX OPPOSE AMEND XXX

PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.

Comments:

Stillwater PGM Resources has generally favored the "local impact" application of property taxes generated by the extraction of natural resources. In the 1981 session, we supported HB 718, which created the Hard-Rock Impact Board. This created a system of dealing realistically with mining impacts at the local level. HJR 66, the recent EQC study, was intended to further review the "impact bill" to determine if it needed adjustment and to determine other tax requirements. The study found that the Impact Board needed proper funding and that mine closure problems should also be addressed. HB 446 specifically answers three problems:

1. It provides a source of funding for the impact board.
2. It creates a source of funding for the mine closure problem.
3. It uses an existing source without unduly increasing the burden.

HB 446 has been endorsed by both the EQC and the Revenue Oversight Committee.

Although we believe the HJR 66 study demonstrates that hard-rock mining taxes should actually be cut, HB 446 is the obvious alternative. The Hard-Rock Board is in place to do the job for "tail-end impacts." HB 446 would make this possible.

Mining taxes should be kept at the local level with other property taxes. HB 446 is a step towards achieving that goal, and we approve.

The adoption in Montana of the impact financing approach to local problems, based on a demonstration of needs directly related to the changes caused by the industry, is a realistic way to solve local problems of a rural economy. We hope this approach will continue in place of the destructive effects of high state-related severance taxation. This will be a solid encouragement for our company.

(This sheet to be used by those testifying on a bill.) I

March 23 1983
House
DATE: 3/23/83

NAME: GEORGE T. BENNETT

ADDRESS: P.O. Box 1705 NELENA 59624

PHONE: 442-8950

REPRESENTING WHOM? ASARCO INC.

APPEARING ON WHICH PROPOSAL: H.B. 1146

DO YOU: SUPPORT? ☒ AMEND? ☐ OPPOSE? ☐

COMMENT: This bill is a part of the legislative program developed as a result of the "EAC/DOC Study" Pursuant to the 48th Mont. Leg. on the Socio-Economic Impact of Large Scale Hard-Rock Mining.

The policy of this bill and of the study is supported.

PLEASE LEAVE ANY PREPARED STATEMENTS WITH THE COMMITTEE SECRETARY.

1982 - Towe - HE 446

	Gold	Silver	Copper	Man.
JANUARY	\$ 384.13	\$ 8.30	.78	75.00
FEBRUARY	374.07	8.26	.77	75.00
MARCH	330.28	7.21	.74	75.00
APRIL	350.34	7.31	.74	75.00
MAY	334.40	6.67	.76	75.00
JUNE	314.98	5.57	.70	75.00
JULY	340.10	6.49	.69	75.00
AUGUST	369.95	7.13	.69	75.00
SEPTEMBER	417.00	8.18	.70	75.00
OCTOBER	435.56	8.72	.69	75.00
NOVEMBER	414.93	9.89	.71	75.00
DECEMBER	445.43	10.58	.72	75.00
AVERAGE 2 YEAR	\$ 375.93	\$ 7.86	.72	\$ 75.00

metals

NEW YORK (AP) — Spot nonferrous metal prices Friday:

Copper -84-86 cents a pound, U.S. destinations.

Lead -20-23 cents a pound.

Zinc -38-40 cents a pound, delivered.

Tin -\$6.6122 Metals Week composite lb.

Aluminum -76 cents a pound, N.Y.

Gold -\$412.50 per troy ounce, Handy & Harman (only daily quote.)

Gold -\$430.30 per troy ounce, NY Comex spot month closed Thu.

Silver -\$10.260 per troy ounce, Handy & Harman (only daily quote.)

Silver -\$10.880 per troy ounce, NY Comex spot month closed Thu.

Mercury -\$330.00 per flask.

Platinum -\$399.00-\$400.00 merch. troy ounce, N.Y.

Selected world gold prices Friday:

London morning fixing \$415.50, off \$14.00

London afternoon fixing \$412.50, off \$17.00

Paris afternoon fixing \$426.86, off \$10.32

Frankfurt fixing \$426.67, off \$6.32

Zurich late afternoon \$416.00 bid, off \$16.50

\$417.50, asked

Handy & Harman (only daily quote)

\$412.50, off \$17.00

Engelhard (only daily quote) \$412.50, off \$17.00

Engelhard fabricated (only daily quote)

\$433.13, off \$17.25

NY Comex gold spot month Thu. \$430.30

off \$3.20

10.93 13.04	Capitol 12.09 13.70	Multi 10.87 NL	May 66.70 67.90	67.70 67.00 +.35
10.93 13.04	ComSta 12.09 13.70	United Funds 8.45 9.23	Aug 66.95 67.10	66.95 67.00 -.05
10.93 13.04	Growth 6.89 7.43	Bond 5.50 6.01	Sep 66.30 66.30	66.30 66.30
10.93 13.04	Inco 11.59 12.50	IntGth 15.75 17.21	Oct 66.75 67.00	66.75 66.85 -.02
10.93 13.04	Sentinel Group:	Con Inc 11.98 13.09	Nov 66.75 67.00	66.75 66.85 -.02
10.93 13.04	Balan 8.74 9.55	Fiduc 28.41 31.05	Prev. sales 1,734	Prev. day's open int 10,827, off 52.
10.93 13.04	Bond 6.25 6.83	HI Inc 13.76 15.04	HOGB	
10.93 13.04	Com S 15.44 16.87	IntGth 11.39 12.45	30,000 lbs; cents per lb.	
10.93 13.04	Growth 14.59 15.95	Muni 6.29 6.55	Feb 58.20 58.75 57.80 58.72 +.62	
10.93 13.04	Sequola 30.05 NL	ScEng 10.10 11.04	Apr 53.30 53.50 52.75 53.45 +.15	
10.93 13.04	Sentry 23.08 25.09	Vang 16.71 18.26	Jun 54.85 55.20 54.40 55.10 +.30	
10.93 13.04	Shearson Funds:	U S Gold 8.98 NL	Jul 54.90 55.10 54.25 54.92 +.22	
10.93 13.04	Appare 15.14 15.94	Value Line Fd:	Aug 53.05 53.50 53.00 53.27 +.05	
10.93 13.04	HiYld 19.00 20.00	Bond 12.25 NL	Oct 49.30 49.50 49.00 49.25 -.25	
10.93 13.04	Incom 18.40	Fund 13.72 NL	Dec 49.10 49.45 48.80 49.25 -.15	
10.93 13.04	MMun 13.14 13.83	Incom 6.56 NL	Feb 48.50 48.50 48.50 48.50 -.05	
10.93 13.04	NwDir 15.63	Lev Gt 18.55 NL	Apr 47.05 47.25 47.00 47.00 -.10	
10.93 13.04	Sherm D 8.93 NL	Spl Sit 14.88 NL	Prev. sales 19,900	Prev. day's open int 47,598, up 1,138.
10.93 13.04	Sierra Gt 13.73 NL	Vance Sanders:	PORK BELLIES	
10.93 13.04	Sigma Funds:	Capl 10.44 11.63	38,000 lbs; cents per lb.	
10.93 13.04	Capl 10.44 11.63	Incom 11.09 12.12	Feb 77.85 78.95 76.90 78.47 +.17	
10.93 13.04	Invst 13.62 14.89	Invest 7.69 8.40	Mar 77.50 78.55 76.60 78.22 +.35	
10.93 13.04	Invst 13.62 14.89	Levrge 10.22 NL	May 77.60 78.65 76.60 78.35 +.33	
10.93 13.04	Trst n 13.03 14.24	CapEtf 56.37	Jul 77.00 77.35 75.90 77.12 -.25	
10.93 13.04	Trst n 13.03 14.24	EVGth 7.58 8.28	Aug 75.00 75.20 73.65 74.55 -.82	
10.93 13.04	Vent 9.49 10.37	EV Tx 11.96 13.07	Feb 65.50 66.05 65.10 65.65 +.50	
10.93 13.04	SB Edty 14.27 15.02	DBst f 37.35	Prev. sales 13,506	Prev. day's open int 19,127, off 336.
10.93 13.04	SB Lgr 9.22 9.71	Dver f 60.54	FRESH BROILERS	
10.93 13.04	SoGen In 16.08 16.84	ExBst f 78.28	30,000 lbs; cents per lb	
10.93 13.04	Swinc 4.72 NL	ExFdf 89.62	No open contracts	
10.93 13.04	Sover In 16.81 17.69	FidE f 50.08		
10.93 13.04	State Bond Grp:	ScFid f 54.36		
10.93 13.04	Com St 5.66 6.19	Specf 14.06 15.37		
10.93 13.04	Divers 5.66 6.13	Vanguard Group:		
10.93 13.04	Progrs 9.56 10.45	Explr 37.07 NL		
10.93 13.04	StFrm Gt 10.01 NL	Ind Tr 18.18 NL		
10.93 13.04	StFrm Bt 13.21 NL	GNMA 9.24 NL		
10.93 13.04	StStreet Inv:	Ivest 15.25 NL		
10.93 13.04	Exch 74.57 NL	Morg 11.80 NL		
10.93 13.04	Fedl 47.76 NL	MuHy 9.06 NL		
10.93 13.04	Invest 63.99 64.36	MuSh 15.27 NL		
10.93 13.04	Steadman Funds:	MuInt 10.73 NL		
10.93 13.04	Am Ind 3.37 NL	MuLg 9.40 NL		
10.93 13.04	Assoc .98 NL	QDiv I 14.79 NL		
10.93 13.04	Invest 1.52 NL	QDiv II 8.01 NL		
10.93 13.04	Ocean 6.20 NL	StrTr 10.00 NL		
10.93 13.04	Stein Roe Fds:	TrstCo 32.35 NL		
10.93 13.04	Balan 21.75 NL	Wellis 12.22 NL		
10.93 13.04	Bond 8.89 NL	Wellin 11.59 NL		
10.93 13.04	Cap Op 25.19 NL	IGBnd 7.99 NL		
10.93 13.04	Stock 19.14 NL	HiYbd 8.97 NL		
10.93 13.04	SinSp 14.04 NL	Vndsr 10.84 NL		
10.93 13.04	SinTx 7.65 NL	Venturin 11.01 12.03		
10.93 13.04	Univ 66.99 NL	Wallst G 8.42 9.20		
10.93 13.04	Siralvin 11.65 12.73	Wein Ec 31.88 NL		
10.93 13.04	Strat Gth 30.89 NL	Wisc Inc 3.59 NL		
10.93 13.04	SunGrth 11.23 12.27	Wood Struthers:		
10.93 13.04	Tax Mgd 14.29 15.62	deVeg 46.30 NL		
10.93 13.04	Templeton Group:	Neww 18.07 NL		
10.93 13.04	Globe 29.56 32.31	Pine 13.14 NL		
10.93 13.04	Grwth 7.87 8.60			

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OMAHA, Neb (API/USDA) - Omaha Livestock Market quotations Wednesday.

Hogs: 3200; fairly active; barrows and gilts fully steady except some uniform 200-230 lb 25 lower; U-S 1-2s 200-250 lb 59.00-59.25; good volume 59.25; uneven weights 58.75; U-S 1-3s 250-280 lb 57.00-58.50; a few 59.00; sows 500-650 lb 1.00-1.50 lower; other weights steady; U-S 1-3s 300-650 lb 50.50-59.50.

Cattle and Calves: 2000; receipts includes around 500 head slaughter cows; small supply slaughter steers and heifers near steady; slaughter cows average steady but buying interest not as aggressive as Monday and Tuesday; steers three loads choice 1200-1250 lb 61.75-62.00; scattered loads and part loads choice 1050-1300 lb 60.25-61.50; muddier lots 58.00-59.00; heifers scattered loads and part loads choice 950-1125 lb 59.50-60.50; part load 60.75; some 875-950 lb 58.50-59.50; few muddier lots to 57.00; cows high cutter, utility and commercial 1-3s 41.00-42.50; few high dressing 43.00; cutter 39.50-41.00; canner and low cutter 37.00-40.00.

Sheep: 50; not enough any class to afford a market test.

Minneapolis

cash grain

MINNEAPOLIS (AP) - Wheat receipts Wednesday 121; year ago 181; spring wheat cash trading basis unchanged to down 1 to 3, prices up 1/4 to down 2 1/4.

No.1 dark northern 11-17 protein 3.85% nom. to 4.08%.

Test weight premiums: zero to one cent each pound 58 to 60 lbs; one cent discount each 1/2 lb under 58 lbs.

Protein prices: 11 percent, 3.85% nom. up 1/4; 12, 3.86%; up 1/4; 13, 3.88%; up 1/4; 14, 3.88%; down 1/4; 15, 3.94%; down 2/4; 16, 4.03%; down 2/4; 17, 4.08%; down 2/4.

No.1 hard Montana winter 3.87% nom. up 1/4.

Minn-S.D. No.1 hard winter 3.87% nom. up 1/4.

No.1 hard amber durum, choice 4.40, milling 3.90 to 4.35, terminal Minneapolis 3.80 nom; Duluth 3.85 nom; prices unchanged to up 5. Number traded: choice 3 cars, milling 28 cars; top traded choice 3 cars, milling 1 cars. Off grade low as 3.80 nom Minneapolis; 3.85 nom Duluth. Discounts, amber 5, durum 10.

Corn No.2 yellow 2.51% nom, up 3.

Oats No.2 extra heavy white 1.653 nom up to 1.68 unchanged. Barley, cars 84, year ago 104; Maltling 65 Pl, Moxre 2.35 to 2.50 unchanged; Gienn 2.35 to 2.50 unchanged; feed Minneapolis 1.71 nom, unchanged; Duluth 1.90 nom, unchanged.

Rye No.1 2.55 nom, unchanged; No.2 2.50 down 2.

Flax No.1 5.40 nom, unchanged.

Soybeans No.1 yellow 5.68 1/4 nom down 2.

Sunflowers Minneapolis 9.10 nom down 5; Duluth 9.15 nom down 10.

Denver

eggs

DENVER (AP) - Market steady. Demand fair to moderate. Offerings adequate to ample on all grades and sizes. Large AA .60-.61; medium AA .53-.54; small AA .42-.43 large A .59-.60, medium A .52-.53, large B .49-.50.

beans

DENVER (AP) - Pintos: Colorado and Nebraska, 9.50-10.00; Nebraska Great Northerns 11.50.

Portland

PORTLAND, Ore. (AP) - Closing prices for grains arriving Wednesday, Portland for current shipment by rail, truck or barge per bushel, except oats, corn and sorghums, per cwt.

No.1 soft white wheat	4.54
No.1 white club wheat	4.54
No.1 hard red winter wheat	4.37
No.2 barley	2.40
No.2 Mont. brly at Ykma	2.33
Montana 1 hard red winter wheat	4.37
11 pct protein	4.37
12 pct protein	4.44
13 pct protein	4.55
Montana 1 dark northern spring wheat	4.35
13.5 pct protein	4.35
14 pct protein	4.51
15 pct protein	4.61

New York

foreign exchange

NEW YORK (AP) - Foreign Exchange New York prices.

Fgn. currency	in dollars	Wed.	Tue.	Fgn. currency	Dollar in	Wed.	Tue.
Britain	1.5410	1.5365	.6489	6508			
Canada	.8162	.8171	1.2251	1.2239			
Denmark	.1171	.1168	8.5340	8.5600			
France	.1452	.1444	6.8865	6.9225			
Japan	.004222	.004205	236.85	237.90			
Mexico	.0105	.0105	95.00	95.00			
Mexico	.006400	.006800	156.00	148.00			
Norway	.1411	.1404	7.0850	7.1240			
Switz.	.4950	.4960	2.0200	2.0160			
W. Ger.	.4120	.4096	2.4270	2.4415			

Source: Bank of America, New York.

local stocks

Bank Corp. of Montana	25 1/4	26
Colo. National	21	21 1/4
First Bank	37 1/2	37 3/4
Wyo. Bank Corp.	13 1/4	13 1/4
Coors	13 1/2	13 1/4
Storage Tech.	22 1/2	
Wendy's	14 1/4	
DeKalb	18 1/4	18 3/4
Dyco Petro.	13 1/4	
Energy Res. Gp.	3 1/4	3 3/4
General Hydro.	1 1/2	1 3/4
Juniper Petro.	9 3/4	
Navalex	2 1/4	2 1/2
Westmoreland	14 1/2	14 3/4
Pat. Petro.	4 3/4	
Big Sky	3 1/4	
Greenwood Res.	1 1/2	1 3/4
Petro Lewis	10 3/4	
Rocky Mt. Nat. Gas	8 3/4	9
Montana Power prs.00	44 1/2	

Billings Gazette 2/10/83
metals P. 6D

counter

1.251.50
4.10 4.35

Senator Turnage wondered about conditional sales contracts where at the option of the buyer, the buyer could lease the equipment and return it at the end of the sale. Senator Severson remarked that any time you lease, the property is for sale.

Senator Turnage suggested subsection (5) should refer to "goods primarily intended for sale and not for lease . . .".

Senator Towe restated his motion to include Senator Elliott's substitute motion and Senator Turnage's suggestion. The motion was seconded and passed, with Senators Crippen, McCallum and Severson voting no.

Senator Towe then moved that HB 570 BE CONCURRED IN AS AMENDED. The motion was seconded and passed unanimously. Senator Towe will carry the bill on the floor.

DISPOSITION OF HOUSE BILL 446: Senator Towe provided the committee with a comparison of gold, silver, copper, and platinum prices when the interim subcommittee studied this and the prices now. It is attached as Exhibit C. The companies never came forward with their expenses and gross and net receipts so projected taxes could be figured. The closest they came up with is the Stillwater PGM Resources figures. (See the figures on Exhibit C.) Senator Towe said he had talked with Mr. Davidoff from the Bureau of Mines, who indicated these figures were amazingly accurate. He asked the committee to look at line 4 at the bottom of the page. Let's figure the base at 110% of the 24-month average price. Then, any time the price goes above 10% of the base, the tax increases by .25%. There is no increase until item (6) on Exhibit C.

Also, Senator Hager had asked Senator Towe to index the base according to wholesale price increase. If the base goes up, you take that first and then include the 10%. See Senator Towe's proposed amendments at Exhibit D.

Senator Severson asked Senator Towe if this would adjust either way. Senator Towe replied it would. If it goes down, 459.54 is the base; if it is lower than the base, the tax never drops below 1.5%. Senator Towe said he talked with Representative Dave Brown, who suggested the committee might want to allow it to go down, but not more than .5%.

Senator Severson remarked that that is where you get into unprofitability, and you are taxing more for less when the price is high. If you are setting it up by value of the base, you should also decrease the tax because of unprofitability.

Senator Halligan, who served on the Hard Rock Mining Impact Board, said the Board wanted to tax profitability and with stability so the tax would be predictable. The existing legis-

lation is good. Amendments may lend confusion to what they are trying to accomplish.

Senator Norman felt going below the base was undesirable.

Senator Towe said the legislature could come back in two years to change this if it doesn't work with the amendments proposed.

Senator Elliott wondered if the legislature could rely on Senator Towe's figures as being legitimate sales prices for mining companies.

Senator Gage recalled that Senator Towe indicated this would go into a hard-rock mining impact trust account.

Senator Towe moved that the tax rate be reduced .25% for each 10% that the average daily price of the metals decreases but in no event shall the tax rate be reduced below 90%. The motion was seconded.

Senator Halligan said the base price was the "break even point" of the industry.

Senator Gage said he could support the amendments if all the additional funds went into the impact trust account but not otherwise.

Senator McCallum wondered how much additional tax this would cost, say, Arco at Troy. Senator Towe said if the price of gold goes above 505.49, there will be an increase.

Ward Shanahan, who represents Stillwater PGM Resources, said they are using palladium. Palladium is what will make them go or not go, not the jewelry-type metals.

Senator McCallum made a substitute motion that the third reading copy of HB 446 BE CONCURRED IN (without any amendments). The motion was seconded.

Senator Halligan said the Board had concluded the mining industry was paying high taxes in comparison to other states; they pay the resource indemnity trust tax, metaliferous mines tax, corporation license tax, etc. They pay their fair share not based on productivity.

Senator Towe urged the committee to defeat Senator McCallum's motion. A roll call vote on Senator McCallum's substitute motion was taken, and it passed 7-6.

CONSIDERATION OF HOUSE BILL 870: Carol Ferguson explained her amendments, attached as Exhibit E. Senator Halligan moved that the amendments attached as Exhibit E be adopted. (There was no second to his motion.) Ms. Ferguson said that

Golden Sunlight mine projected tax = 500,000 in FY 1984
 $\div .01438 = \$34,770,514$ gross receipts
 at 33.7% increase $\$46,488,177$ or $\$11,717,663$ increase

Sidewater P.G.M.

- Gross Receipts: 2000 tons per day $\times$ 350 days $\times$ $\frac{1}{2}$ oz =
 350,000 ounces $\times$ 85% recovery = 300,000 ounces
 - at $\$292.22$ per ounce (3.5 parts palladium + 1 part platinum)
 $= \$87,666,000$ total gross receipts.
- Expenses:
 - employees - 475 $\times$ $\$20,000$ per year = $\$9,500,000$
 - 500 at $\$28,000,000 = \$14,000,000$
 - non-employee expense = $14,000,000$
 - Capital cost - interest on $\$150$ million ~~251~~
 at 16% plus 30 year amortized = $\frac{24,300,000}{\$52,300,000}$
- Net profit = $\$35,366,000$ per year or $\$1$ billion in 30 years.
- If price goes up 10% = $\$44,133,000$ net profit
 - extra tax at 4.51% = $\$21,916.50$

	<u>Gold</u>	<u>Silver</u>	<u>Copper</u>	<u>Platinum</u>
1) Ave. daily price - 24 months (CY '81 + '82)	$\$417.77$	$\$9.185$	$\$.77\frac{1}{2}$	$\$475$
2) 110% of 24 month daily Ave. - base	459.54	10.10	.85 $\frac{1}{4}$	522
3) 10% above base price - 1st tax increase	505.49	11.11	.93 $\frac{3}{4}$	574.20

Mar. 26, 1983Copper, Silver, Gold, Platinum

Price June 1982	<u>Gold</u>	<u>Silver</u>	<u>Copper</u>	<u>Platinum</u>
	\$314.98 per oz.	\$5.57 per oz.	\$1.70 per lb	\$425 per oz.
Price now (22 Mar 83)	<u>421.25</u>	<u>10.57</u>	<u>.78 5/8</u>	<u>405</u>
Increase since June 1982	\$106.27 (33.7%)	\$5 (89.7%)	\$.08 5/8 (12.4%)	-\$20 (-14.7%)

Golden Sunlight mine - projected tax = \$500,000 in FY 1984
 $\div .01438 = \$34,770,514$ gross receipts
 at 33.7% increase \$46,488,177 or \$11,717,663 increase

Skillwater P.G.M.

- Gross Receipts - 2000 tons per day $\times$ 350 days $\times$ 1/2 oz =
 350,000 ounces $\times$ 85% recovery = 300,000 ounces
- at \$292.22 per ounce (3.5 parts palladium + 1 part platinum)
 = \$87,666,000 total gross receipts.
- Expenses:
 - employees - 425 $\times$ 20,000 per year = \$9,500,000
 - 500 at \$28,000,000 = \$14,000,000
 - non-employee expense = 14,000,000
 - Capital cost - interest on \$150 million ~~at~~

3/26
fowe

PROPOSED AMENDMENTS TO HB 446

SENATE TAXATION COMMITTEE	
EXHIBIT	D
477a, 26	3
Hse	B 446

4. Page 7, line 6 and 7.

Following: "~~1.438%~~"

Strike: the remainder of line 6 and 7 in their entirety

Insert: "computed in accordance with [section 8]"

"NEW SECTION. Section 8. Tax rate computation when gross value exceeds \$1 million. (1) The tax rate on the increment of the gross value of product over \$1 million is 1.5% plus 0.25% for each 10% that the average daily price of a metal or mineral product recomputed each year exceeds the base price.

(2) The base price of a metal or mineral product used in the computation of the tax rate is 110% of the average daily price of each metal or mineral product during the 24 month period immediately preceding [the effective date of this act]. Each year on the anniversary date of the effective date of this act, the base price shall be adjusted upward or downward to reflect the percent change during the preceding 12 months in the wholesale price index established by the U.S. Department of Commerce.

(3) For the purpose of this section the method for determining the price of the metal or mineral product shall be established by rule adopted by the department ~~of revenue~~ from a quotation readily available to the public, preferably from a New York market."

STANDING COMMITTEE REPORT

..... March 26 19 83

MR. PRESIDENT

We, your committee on taxation

having had under consideration House Bill No. 446

D. Brown (Halligan)

Respectfully report as follows: That House Bill No. 446

third reading copy

BE CONCURRED IN

~~XXXXXXXX~~

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ROLL CALL VOTE

SENATE COMMITTEE TAXATION

Date March 26 1983 House Bill No. 446 Time 9:15.

NAME	YES	NO
SENATOR GOODOVER, CHAIRMAN	✓	
SENATOR McCALLUM, VICE CHAIRMAN	✓	
SENATOR BROWN	✓	
SENATOR CRIPPEN		✓
SENATOR ELLIOTT	✓	
SENATOR GAGE	✓	
SENATOR TURNAGE	✓	
SENATOR SEVERSON	✓	
SENATOR HAGER	A	
SENATOR ECK		✓
SENATOR HALLIGAN		✓
SENATOR LYNCH		✓
SENATOR NORMAN		✓
SENATOR TOWE		✓
SENATOR MAZUREK	A	

Secretary: Barbara J. Effing
Motion:

Chairman: Pat M. Goodover

McCallum's substitute motion that
446 Be Concurred In.

(include enough information on motion—put with yellow copy of committee report.)